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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman

BOB STUMP
Commissioner

BOB BURNS
Commissioner

DOUG LITTLE
Commissioner

TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 26 2015

DOCKETED BY

Btu

IN THE MATTER OF THE APPLICATION
OF TRUXTON CANYON WATER
COMPANY, INC. FOR APPROVAL OF A
RATE INCREASE

DOCKET NO. W-02168A-11-0363

IN THE MATTER OF THE APPLICATION
OF TRUXTON CANYON WATER
COMPANY, INC. FOR APPROVAL OF A
REVISION OF THE COMPANY'S EXISTING
TERMS AND CONDITIONS OF WATER
SERVICE

DOCKET NO. W-02168A-13-0309

IN THE MATTER OF THE APPLICATION
OF TRUXTON CANYON WATER
COMPANY, INC. FOR AUTHORITY TO
INCUR LONG-TERM DEBT

DOCKET NO. W-02168A-13-0332

DECISION NO. 75122ORDER

Open Meeting
June 16 and 17, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACTIntroduction and Background

1. In Decision No. 72724, dated January 6, 2012, the Arizona Corporation Commission ("Commission") authorized interim rates for Truxton Canyon Water Company, Inc. ("Truxton" or "Company"). These interim rates resulted in a rate increase for Truxton's customers which included Valley Vista Property Owner's Association ("VVPOA"). Among other things, the Decision required that all monies paid by VVPOA through the interim tariff be subject to a true up once the permanent rates were approved. In Decision No. 74835, dated November 14, 2014, the Commission authorized permanent rates for Truxton that resulted in a rate decrease for its customers including VVPOA.

1 Further, consistent with Decision No. 72724, Decision No. 74835 required Truxton to file certain
2 information that would facilitate the true up of monies paid by VVPOA. On page 34, beginning at
3 line 22 of Decision No. 74835, it states:

4 . . . Truxton should be required to prepare, as a compliance item in this
5 docket, a report detailing the amount of the refund, with interest, that
6 is to be credited to VVPOA's August 2012 bill, as well as a calculation
7 of all monies subject to true up based on this Decision. Truxton shall
8 file its report within 14 days of the effective date of this Decision, and
9 VVPOA shall file its response 14 days after Truxton's filing. Staff shall
10 be required to review the filings and make its recommendations set
11 forth in a Proposed Form of Order for the Commission's
12 consideration.

13 2. On April 24, 2015, Utilities Division Staff ("Staff") sent correspondence to Truxton
14 inquiring about related compliance matters set forth in Decision Nos. 74833 and 74835. On May 8,
15 2015, Truxton filed a Compliance Report that responded to Staff's inquiries. On March 12, 2015,
16 Truxton and VVPOA made a joint filing which agreed upon the amount owed, but no agreement was
17 reached regarding the period of time over which the refunds were to be made and the parties
18 requested that Staff mediate the refund period issue.

19 The Joint Filing and Staff's Mediation

20 3. The joint filing indicated that the amount over-paid by VVPOA and subject to refund
21 was \$141,874 which included no interest. However, Truxton and VVPOA could not agree upon the
22 period over which the refunds (via credits to VVPOA bills) would be made. Truxton proposed that
23 the \$141,874 overpayment be refunded over a 60 month period. VVPOA proposed that the
24 overpayment be refunded over a 24 month period. The two parties requested that Staff mediate in
25 order to help resolve this final issue.

26 4. On April 17, 2015, representatives from Truxton and VVPOA met with Staff to
27 mediate the period over which the \$141,874 was to be refunded via credits to VVPOA bills. To aid
28 the mediation discussions, Staff provided documentation showing the effects on Truxton's cash flow
when the overpayment is refunded over 2 ½ years, 3 years, 3 ½ years, 4 years, and 5 years. The parties
took the information under advisement and attempted to work out a refund period but were still

1 unable to reach agreement. Therefore, in accordance to Decision No. 74835, Staff has determined a
2 refund period which takes into account the concerns of both parties.

3 Findings and Recommendations Concerning the Refund Period

4 5. Staff has considered the comments and concerns discussed in the mediation and the
5 joint filing. The following is a summary of Staff's findings and recommendations.

- 6 a. Staff finds that Truxton's proposed refund/crediting period of 60 months as
7 shown on Attachment A is reasonable as Staff believes that the level of cash
8 flow obtained by using a 60 month refund period provides the Company with
9 sufficient cash flow to meet unforeseen contingencies.
- 10 b. Staff finds that including an interest component as provided for in Decision
11 No. 74835 of 6 percent per year, which equates to .05 percent per month ($6 \text{ percent} \div 12 \text{ months} = .05 \text{ percent}$) is reasonable in light of the 60-month
12 refund period. Staff notes that both parties were agreeable to including
13 consideration of a reasonable level of interest component.
- 14 c. Staff further recommends that interest should begin to accrue July 1, 2015.
15 Staff considered accruing interest on the balance from the date the permanent
16 rates went into effect (i.e., November 14, 2014) but taking into account the
17 comments made at the mediation, Staff determined that accruing interest
18 beginning July 1, 2015 would be a reasonable compromise.
- 19 d. Staff's recommended refund and refund period were calculated under the
20 assumption that the first refund, in the form of a bill credit, would be reflected
21 on the VVPOA bill rendered by Truxton in July of 2015.
- 22 e. If the first refund/credit is made later than July 2015, then Staff finds that its
23 recommended schedule shown on Attachment A should be recalculated to
24 include the interest that accrued from July 1, 2015 to the date the first refund
(via credit to VVPOA bill) is made.
- 25 f. Staff recommends that the refunds be made or recognized by credits posted to
26 each monthly bill of VVPOA until all refund obligations, including accrued
27 interest, have been credited to the VVPOA account.
- 28 g. Staff concludes and recommends that Staff's refund amount and refund period
as shown on Attachment A to Staff's Memorandum is reasonable and should
be adopted.

25 6. The Commission concludes that Staff's recommendations are reasonable and should
26 be adopted except that we believe the refund should occur over 42 months (3.5 years) as opposed to
27 60 months.

28 ...

CONCLUSIONS OF LAW

1
2 1. Truxton Canyon Water Company, Inc. is a public service corporation within the
3 meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251 and 40-367.

4 2. The Commission has jurisdiction over Truxton Canyon Water Company, Inc. and of
5 the subject matter of this application.

6 3. The amount to be refunded, credits amounts, and payment periods set forth in
7 Attachment A to this Order are just and reasonable and should be approved.

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ORDER

IT IS THEREFORE ORDERED that the refund and credit amounts that are to be made by Truxton Water Company, Inc. to the water bills of Valley Vista Property Owner's Association shall be in accordance with Attachment A.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

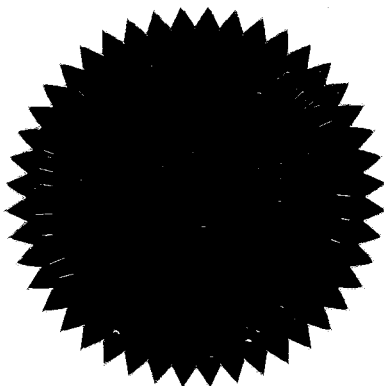

CHAIRMAN


COMMISSIONER

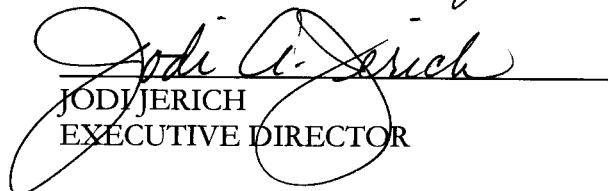

COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 26th day of June, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:CSB:vsc/BH

1 SERVICE LIST FOR: Truxton Water Company
2 DOCKET NO. W-02168A-11-0363, ET. AL

3 Mr. Steve Wene
4 MOYES SELLERS & HENDRICKS, LTD
5 1850 N. Central Avenue, Suite 100
6 Phoenix, Arizona 85004

6 Mr. Patrick Black
7 Fennemore Craig, P.C.
8 2394 East Camelback Road, Suite 600
9 Phoenix, Arizona 85016

9 Mr. Mike Neal
10 7313 East Concho Drive, Suite B
11 Kingman, Arizona 86401

11 Mr. Steven M. Olea
12 Director, Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007

14 Ms. Janice M. Alward
15 Chief Counsel, Legal Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

18 Mr. Dwight Nodes
19 Acting Chief Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, AZ 85007

Attachment A

Truxton Canyon Water Company
Docket No. W-02168A-11-0363

Revised
Attachment A

SCHEDULE OF RECOMMENDED MONTHLY REFUND/CREDIT TO VVPOA
AMORTIZED OVER 3 1/2 YEARS

Total Amount to be Refunded **\$141,874**
Truxton Proposed Annual Credit **\$28,000**
VVPOA Proposed Annual Credit **\$70,937**

*Interest to begin accruing July 1, 2015

Annual Interest Rate: 6.00%

Monthly Interest Rate: 0.50%

| [A] Start of Each Bill Credit Year | [C] Monthly Balance of VVPOA Overpayment | [D] Revised Monthly Amount of Overpayment to be Credited on VVPOA Bill Before Interest | [E] Monthly Interest* .05% per month (6% per yr / 12 mos) (Col. C x .05%) | [F] Annual Amount Credited to VVPOA Before Interest | [G] Annual Amount Credited to VVPOA With Interest | [H] Revised Total Monthly Credit (Col. D + Col. E) | [I] Truxton's Monthly Revenue | [J] Percent of Truxton's Monthly Revenue Col. H / Col. I |
|--|---|---|---|--|--|--|--|---|
| 1 | \$141,874.00 | \$6,950.00 | \$709.37 | | | \$7,659.37 | \$49,471.00 | 15.48% |
| | \$134,924.00 | \$6,950.00 | \$674.62 | | | \$7,624.62 | \$48,214.00 | 15.81% |
| | \$127,974.00 | \$5,560.00 | \$639.87 | | | \$6,199.87 | \$43,012.00 | 14.41% |
| | \$122,414.00 | \$4,170.00 | \$612.07 | | | \$4,782.07 | \$41,791.00 | 11.44% |
| | \$118,244.00 | \$695.00 | \$591.22 | | | \$1,286.22 | \$44,741.00 | 2.87% |
| | \$117,549.00 | \$695.00 | \$587.75 | \$25,020.00 | \$28,834.90 | \$1,282.75 | \$36,176.00 | 3.55% |
| | \$116,854.00 | \$695.00 | \$584.27 | | | \$1,279.27 | \$27,543.00 | 4.64% |
| | \$116,159.00 | \$695.00 | \$580.80 | | | \$1,275.80 | \$21,970.00 | 5.81% |
| | \$115,464.00 | \$1,390.00 | \$577.32 | | | \$1,967.32 | \$25,403.00 | 7.74% |
| | \$114,074.00 | \$1,390.00 | \$570.37 | | | \$1,960.37 | \$27,498.00 | 7.13% |
| | \$112,684.00 | \$4,170.00 | \$563.42 | | | \$4,733.42 | \$29,004.00 | 16.32% |
| | \$108,514.00 | \$5,560.00 | \$542.57 | | | \$6,102.57 | \$41,421.00 | 14.73% |
| 2 | \$102,954.00 | \$6,950.00 | \$514.77 | | | \$7,464.77 | \$49,471.00 | 15.09% |
| | \$96,004.00 | \$6,950.00 | \$480.02 | | | \$7,430.02 | \$48,214.00 | 15.41% |
| | \$89,054.00 | \$5,560.00 | \$445.27 | | | \$6,005.27 | \$43,012.00 | 13.96% |
| | \$83,494.00 | \$4,170.00 | \$417.47 | | | \$4,587.47 | \$41,791.00 | 10.98% |
| | \$79,324.00 | \$695.00 | \$396.62 | | | \$1,091.62 | \$44,741.00 | 2.44% |
| | \$78,629.00 | \$695.00 | \$393.15 | \$38,920.00 | \$44,986.04 | \$1,088.15 | \$36,176.00 | 3.01% |
| | \$77,934.00 | \$695.00 | \$389.67 | | | \$1,084.67 | \$27,543.00 | 3.94% |
| | \$77,239.00 | \$695.00 | \$386.20 | | | \$1,081.20 | \$21,970.00 | 4.92% |
| | \$76,544.00 | \$1,390.00 | \$382.72 | | | \$1,772.72 | \$25,403.00 | 6.98% |
| | \$75,154.00 | \$1,390.00 | \$375.77 | | | \$1,765.77 | \$27,498.00 | 6.42% |
| | \$73,764.00 | \$4,170.00 | \$368.82 | | | \$4,538.82 | \$29,004.00 | 15.65% |
| | \$69,594.00 | \$5,560.00 | \$347.97 | | | \$5,907.97 | \$41,421.00 | 14.26% |
| 3 | \$64,034.00 | \$6,950.00 | \$320.17 | | | \$7,270.17 | \$49,471.00 | 14.70% |
| | \$57,084.00 | \$6,950.00 | \$285.42 | | | \$7,235.42 | \$48,214.00 | 15.01% |
| | \$50,134.00 | \$5,560.00 | \$250.67 | | | \$5,810.67 | \$43,012.00 | 13.51% |
| | \$44,574.00 | \$4,170.00 | \$222.87 | | | \$4,392.87 | \$41,791.00 | 10.51% |
| | \$40,404.00 | \$695.00 | \$202.02 | | | \$897.02 | \$44,741.00 | 2.00% |
| | \$39,709.00 | \$695.00 | \$198.55 | \$38,920.00 | \$42,650.84 | \$893.55 | \$36,176.00 | 2.47% |
| | \$39,014.00 | \$695.00 | \$195.07 | | | \$890.07 | \$27,543.00 | 3.23% |
| | \$38,319.00 | \$695.00 | \$191.60 | | | \$886.60 | \$21,970.00 | 4.04% |
| | \$37,624.00 | \$1,390.00 | \$188.12 | | | \$1,578.12 | \$25,403.00 | 6.21% |
| | \$36,234.00 | \$1,390.00 | \$181.17 | | | \$1,571.17 | \$27,498.00 | 5.71% |
| | \$34,844.00 | \$4,170.00 | \$174.22 | | | \$4,344.22 | \$29,004.00 | 14.98% |
| | \$30,674.00 | \$5,560.00 | \$153.37 | | | \$5,713.37 | \$41,421.00 | 13.79% |
| 4 | \$25,114.00 | \$6,950.00 | \$125.57 | | | \$7,075.57 | \$49,471.00 | 14.30% |
| | \$18,164.00 | \$6,950.00 | \$90.82 | | | \$7,040.82 | \$48,214.00 | 14.60% |
| | \$11,214.00 | \$5,560.00 | \$56.07 | | | \$5,616.07 | \$43,012.00 | 13.06% |
| | \$5,654.00 | \$4,170.00 | \$28.27 | | | \$4,198.27 | \$41,791.00 | 10.05% |
| | \$1,484.00 | \$695.00 | \$7.42 | | | \$702.42 | \$44,741.00 | 1.57% |
| | \$789.00 | \$789.00 | \$3.95 | \$39,014.00 | \$40,409.64 | \$792.95 | \$36,176.00 | 2.19% |
| | | \$141,874.00 | \$15,007.42 | | \$156,881.42 | | | |